PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (1)

For the Year Ended December 31, 1997
Unaudited
(dollars in thousands, except share amounts)

	(2) ACC Historical	(2) TCG Historical	(4) Pro forma Adjustments	TCG/ACC Pro forma Consolidated
Revenues:				
Telecommunications services	$372,613	$ 494,304	$ (141)	$ 866,776
Total revenues	372,613	494,304	(141)	866,776
Expenses:				
Operating	218,361	283,440	3,669	505,470
Selling, general and administrative	111,027	165,977	1,160	278,164
In-process research and development	—	22,000	—	22,000
Depreciation and amortization	23,712	155,402	21,682	200,796
Total expenses	353,100	626,819	26,511	1,006,430
Operating income (loss)	19,513	(132,515)	(26,652)	(139,654)
Other income (expense), net	(8,484)	(85,061)	4,970	(88,575)
Foreign exchange gain (loss)	(162)	—	—	(162)
Income (loss) before equity in losses of unconsolidated affiliates and income tax provision	10,867	(217,576)	(21,682)	(228,391)
Equity in losses of unconsolidated affiliates	—	(3,427)	—	(3,427)
Income (loss) from continuing operations before income tax provision	10,867	(221,003)	(21,682)	(231,818)
Income tax provision	(476)	(1,664)	—	(2,140)
Net income (loss)	$ 10,391	$ (222,667)	$ (21,682)	$ (233,958)
Net income (loss) per share		$ (1.34)	—	$ (1.25)
Weighted average number of common shares outstanding(5)		165,728,059	21,104,989	186,833,048

The accompanying notes are an integral part of these financial statements.

Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

(1) The unaudited pro forma financial data do not give effect to any restructuring costs, nor any potential cost savings or other synergies that could result from the Merger. The pro forma data are not necessarily indicative of the operating results or financial position that would have occurred had the Merger been consummated on the date indicated, nor necessarily indicative of future operating results or financial position. The pro forma adjustments are based on available information and upon certain assumptions that management believes are reasonable under the circumstances.

(2) These columns represent historical results of operations and financial position.

(3) An estimated adjustment that eliminates accounts receivable and accounts payable of $0.2 million is attributable to outstanding amounts resulting from intercompany transactions between TCG and ACC. There is an adjustment to eliminate the stockholders' equity of ACC of $862.3 million and record goodwill of $867.3 million and costs of $5.0 million. The fair value of the net assets acquired, including the allocation of goodwill and other intangible assets, is currently being reviewed by management and is subject to further change. Certain items in the amount of $0.7 million have been reclassified from prepaid and other current assets on the consolidated balance sheet of ACC to fixed assets to conform with the TCG presentation.

(4) Estimated adjustments that eliminate the revenue, corresponding network costs and intercompany profits in the amount of $0.1 million that are attributable to intercompany transactions between TCG and ACC. In addition, bad debt expense of $3.8 million for the year ended December 31, 1997 for ACC has been reclassified from selling, general and administrative expense to operating expense to conform with TCG's presentation. Merger costs of $5.0 million for the year ended December 31, 1997 for ACC have been reclassified from other income (expense) to selling, general and administrative expense to conform with TCG's presentation. Amortization expense of $21.7 million has been recorded relating to the goodwill recorded for the Merger.

(5) The weighted average number of common and common equivalent shares outstanding reflects the issuance of approximately 21,000,000 shares of TCG Class A Common Stock in exchange for the pro forma outstanding shares of ACC, assuming an exchange ratio of 1.1111 to 1.0. The actual Exchange Ratio will be determined prior to the closing of the Merger based on the average of the last reported sales price per share of TCG Class A Common Stock as reported on Nasdaq for the ten consecutive trading days immediately preceding the trading day immediately prior to the closing date.

CAPITALIZATION OF TCG

The following table sets forth the unaudited consolidated cash and cash equivalents, marketable securities, and capitalization of TCG at December 31, 1997, as adjusted to give effect to the Merger. The table should be read in conjunction with the historical consolidated financial statements of TCG and related notes included in this Proxy Statement/Prospectus.

	As of December 31, 1997	
	Actual	As Adjusted for the Merger
	(dollars in thousands)	
Cash, cash equivalents and marketable securities	$ 480,159	$ 484,147
Short-term debt, current maturities of long-term debt and current portion of capital lease obligations	$ 86,299	$ 90,152
Long-term debt:		
Long-term bank debt	$ —	$ 90,221
1996 Senior Discount Notes due 2007	734,984	734,984
1996 Senior Notes due 2006	300,000	300,000
Unamortized debt issuance costs	(23,059)	(23,059)
Long-term capital lease obligations	19,095	19,095
Total long-term debt	1,031,020	1,121,241
Stockholders' equity:		
Preferred Stock, $.01 par value; 150,000,000 shares authorized and no shares outstanding as of December 31, 1997	—	—
Class A Common Stock, $.01 par value; 450,000,000 shares authorized, 61,273,746 and 82,378,735 shares issued and outstanding as of December 31, 1997, on an actual basis and as adjusted for the Merger	613	824
Class B Common Stock, $.01 par value; 300,000,000 shares authorized and 121,464,778 shares issued and outstanding as of December 31, 1997, on both an actual basis and as adjusted for the Merger	1,215	1,215
Additional paid-in-capital	1,654,328	2,654,117
Accumulated deficit	(503,679)	(503,679)
Unrealized gain on marketable securities	164	164
	1,152,641	2,152,641
Treasury stock, 7,975,738 shares of Class B Common Stock, at cost	(121,025)	(121,025)
Total stockholders' equity	1,031,616	2,031,616
Total capitalization	$2,062,636	$3,152,857

THE MERGER

General

Pursuant to the Merger Agreement, MergerCo will merge with and into ACC in accordance with the DGCL, the separate existence of MergerCo will cease, and ACC, as the surviving corporation in the Merger, will become a wholly-owned subsidiary of TCG. See "The Merger Agreement" for a summary of the terms and conditions of the Merger.

Background of the Merger

In June 1997 TCG's management expressed an interest in learning more about ACC to TCG's strategic advisor Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") and asked Merrill Lynch to arrange a meeting between the two companies. Merrill Lynch met with ACC representatives in New York City in late June 1997 to discuss, among other things, TCG's interest.

In early July 1997, Merrill Lynch notified TCG that ACC's management would be interested in meeting with TCG regarding a possible business relationship. On July 10, 1997, representatives of TCG met with representatives of ACC at TCG's operational headquarters in Staten Island, New York. At this meeting, the parties principally discussed reciprocal resale arrangements but also discussed the possibility of other strategic arrangements. On July 23, 1997, a member of TCG's management met with ACC's management at ACC's headquarters in Rochester, New York to continue the discussions regarding business relationships. At that point, TCG and ACC entered into a mutual non-disclosure agreement.

On July 16 and 17, 1997, the Board of Directors of ACC met in Boston and discussed, among other matters, their duties and responsibilities in the context of a possible business combination or sale, the business plans and strategic initiatives of ACC, and the procedures available to protect stockholder value and respond to offers in an effective and diligent manner. The executive officers of ACC were present during the meetings and presentations were received from Morgan Stanley concerning the telecommunications industry and ACC's place within it and from counsel to ACC on the fiduciary duties of directors and the development and use of stockholder rights plans.

In mid-September. Tel-Save initiated efforts to seek the support of Morgan Stanley for a merger of ACC with Tel-Save. Morgan Stanley informed Tel-Save that it believed, based on statements made by ACC's management, that ACC was not interested in pursuing a potential transaction with Tel-Save at that time; nevertheless, Morgan Stanley agreed to and subsequently did notify ACC of Tel-Save's interest in ACC. ACC's management instructed Morgan Stanley to confirm its prior response to Tel-Save.

On September 18, 1997, the Board of Directors of ACC met in Toronto. They toured the Canadian facilities of ACC and discussed strategic opportunities in the United Kingdom, Germany and the United States. Management was asked to prioritize the strategic opportunities before ACC and make specific recommendations to the Board as to any actions which management had concluded should be taken.

On September 22, 1997, TCG's management met with management of ACC in Newark, New Jersey to discuss business objectives and the possibility of broader strategic relationships.

On September 24, 1997, members of ACC's management met with representatives of Morgan Stanley in New York City in connection with the ongoing review by Morgan Stanley of ACC's business plans and strategies. Near the end of September 1997, ACC's management met with Merrill Lynch in Rochester, New York in order to discuss, among other things, TCG and the benefits of a business combination with TCG. At about the same time TCG informed ACC that it would be necessary for TCG to suspend its discussions regarding broader strategic relationships with ACC for unrelated corporate reasons of TCG.

On October 3, 1997, following a presentation by Morgan Stanley and counsel to ACC, the Board of Directors of ACC adopted a stockholders rights plan. Such a plan had been under review and discussion prior to

July to protect the ACC stockholders in an environment in which the telecommunications industry continued to consolidate, stock prices were volatile, and ACC was a potential takeover target. See "Comparison of Stockholders' Rights—Stockholder Rights Plan."

On October 6, 1997, ACC's management team met with Tel-Save's management team in Rochester. Tel-Save expressed a strong interest in acquiring ACC. On October 13, 1997, executive officers of ACC visited with executive officers of Tel-Save in New Hope, Pennsylvania. At that meeting, the Chief Executive Officer of Tel-Save indicated his desire to move ahead with an acquisition of ACC with or without support of the management of ACC. He also advised ACC management that Tel-Save had acquired 180,000 shares of ACC Stock. Following the meeting, Tel-Save began preparation of a letter detailing its interest in acquiring ACC, which was subsequently delivered to ACC.

On October 16, 1997, ACC requested that Morgan Stanley advise ACC on a formal basis regarding ACC's strategic alternatives and ways to help protect and enhance ACC stockholder value.

On October 17, 1997, ACC informed TCG that Tel-Save had expressed a strong interest in ACC and that the Board of Directors of ACC would review Tel-Save's interest consistent with the Board's responsibilities to the stockholders of ACC. ACC's management instructed Morgan Stanley to advise Tel-Save that its interest in acquiring ACC would be given careful consideration by the Board of Directors of ACC. In late October 1997, Morgan Stanley met and had telephone conversations with Tel-Save to enable Morgan Stanley to evaluate a possible transaction between Tel-Save and ACC.

During October, TCG continued to review information regarding ACC.

On October 27, 1997, management of ACC presented to its Board of Directors a proposal to acquire USW in a pooling of interests transaction. Certain of the strategic benefits for ACC included accelerated entry into the CLEC business in a strategic territory for ACC, acquisition of distribution channels and customer base within ACC's markets and core strengths, and the ability to expand on-network activities. The Board approved the proposal and on October 28, 1997, a definitive agreement was signed by the parties and announced publicly. On March 11, 1998, by mutual agreement of the parties, the proposed merger of USW and ACC was terminated.

On October 29, 1997, Tel-Save announced publicly its proposal for a business combination with ACC. Tel-Save proposed a business combination in which the stockholders of ACC would receive shares of Tel-Save stock valued at approximately $50 for each share of ACC Stock (which price per share of ACC Stock would be reduced to approximately $40 if the USW Merger were consummated).

On November 1, 1997, the Board of Directors of ACC had a telephonic meeting to discuss the publicly announced proposal of Tel-Save to acquire ACC. The Chairman of the Board outlined the current strategic plans and activities of ACC. The Chairman indicated that the Board had a responsibility to ACC's stockholders to review the proposal publicly presented by Tel-Save. Morgan Stanley was present at the meeting and shared with the directors such information as Morgan Stanley had concerning Tel-Save. The Board asked Morgan Stanley to conduct a further investigation and evaluation of ACC's strategies, the proposal by Tel-Save and other strategic opportunities for ACC. The Board concluded that it did not have sufficient information at that time to make an informed decision of the appropriate response to Tel-Save or select a course of action for the stockholders of ACC, and the Board authorized Morgan Stanley to approach various companies in the industry to ascertain their interest in potential business combinations and strategic arrangements with ACC.

On November 4, 1997, Tel-Save announced publicly a change in its original proposal for a business combination with ACC, which removed the contingency of a lower price if the USW Merger were completed.

On November 6, 1997, the Board met to conduct its regular business and to receive a report from Morgan Stanley concerning Tel-Save's proposal as well as other strategic alternatives for ACC. At the meeting, the Board voted to reduce the flip-in-trigger under the Stockholders Rights Plan from 15% to 7½% as a defensive measure to avoid another party from acquiring 10% of the outstanding shares of ACC for the purpose of blocking a business combination based on pooling of interests for accounting purposes. It was noted that Tel-Save had announced that it had purchased more than 10% of USW in what appeared to be an effort to block the USW Merger.

During the period from November 4 through November 12, 1997, parties other than TCG commenced due diligence activities in Rochester in connection with their interest in a business combination with ACC. During the same period, TCG continued to review information and evaluate the possibility of a transaction with ACC.

On November 13, 1997, ACC and TCG commenced discussions focused on a potential business combination. At that time, TCG executed an agreement regarding confidentiality and standstill arrangements and sent its representatives to Rochester to initiate a technical, marketing and financial due diligence review of ACC's business.

On November 17, 1997, ACC received an expression of interest for a business combination from another industry participant. On November 19, 1997, ACC management advised such participant that its proposal was less competitive than the Tel-Save proposal.

On November 19, 1997, TCG management presented to the TCG Board of Directors, at its regularly scheduled quarterly meeting, a recommendation that, in light of Tel-Save's publicly-announced proposal for a business combination with ACC, management be authorized to present a competitive proposal to ACC on behalf of TCG. The TCG Board of Directors conditioned its approval upon the completion of a satisfactory due diligence review of the business of ACC, the negotiation of satisfactory definitive agreements, including an acceptable acquisition price, and the subsequent approval of the Executive Committee of the TCG Board of Directors.

On November 20, 1997, TCG informed ACC that TCG had been authorized to negotiate a competitive proposal to the shareholders of ACC. On November 21, 1997, the Board of Directors of ACC met for the purpose of continuing to review proposals being made for a business combination involving ACC and to receive the report and advice of Morgan Stanley. The report by Morgan Stanley covered a number of potential acquirors and their proposals. At this meeting, ACC's Board of Directors expressed concern with regard to Tel-Save's current stock price and the resulting uncertainty as to the value offered to stockholders of ACC. The Board authorized Morgan Stanley to discuss with Tel-Save any ways in which Tel-Save could address this concern. The Board authorized management and Morgan Stanley to clarify the proposal by TCG and, if necessary, proceed to the negotiation of a definitive agreement for the Board's consideration. Morgan Stanley was also asked to respond to the other potential acquirors appropriately as to their proposals.

TCG and ACC and their representatives met in New York City on November 24, November 25 and November 26, 1997. The parties determined the structure of the transaction and negotiated the terms and conditions of the definitive agreement. During such negotiations, Tel-Save gave a written ultimatum to ACC limiting the time period during which its proposal could be accepted by ACC. In subsequent discussions between Morgan Stanley, management of ACC and Tel-Save, Tel-Save indicated that it was not prepared to raise its offer for ACC. Tel-Save subsequently announced publicly that it would not raise the value of its proposal for ACC.

Members of TCG's management traveled to Rochester on November 26, 1997 to finalize the terms and conditions of the Merger and to present the Merger and the Merger Agreement to the respective boards of TCG and ACC for approval. The Executive Committee of the Board of Directors of TCG and the Board of Directors of ACC approved and adopted the Merger Agreement and approved the Merger late in the day on November 26, 1997. In considering TCG's proposal, ACC's Board of Directors concluded, based upon the advice of Morgan Stanley, that the TCG Class A Common Stock represented a higher value for the shareholders of ACC than Tel-Save's common stock in view of a number of factors, including risk and liquidity concerns with respect to the Tel-Save common stock. At the November 26 meeting, Morgan Stanley advised ACC's Board of Directors that it had completed its review and analysis and delivered to the Board an opinion with respect to the fairness of the Exchange Ratio. Definitive agreements were executed and the transaction was announced to the public that same day.

TCG's Reasons for the Merger

TCG determined in 1996 that there was a growing demand, especially from small to medium-sized businesses, for telecommunications carriers to offer comprehensive packages of services so that a customer would be able to obtain most or all of its telecommunications needs from a single provider. TCG proceeded to examine the long distance business. TCG decided that it would enter the long distance market by leveraging its existing network investment by routing and switching as great a portion of long distance services as possible over its existing local and regional facilities, with the balance of such services being provided by the resale of the services of other carriers. See "The Business of TCG." As part of its strategy, TCG evaluated acquisitions or other strategic arrangements that would accelerate its entry into the long distance business, including an analysis of long distance carriers as potential merger or strategic partners. The criteria TCG used in considering potential candidates included size, geographic coverage, combined company revenue and cost synergies, market segments covered and regulatory issues. TCG made inquiries to certain of these potential candidates.

TCG considers a combination with ACC to be attractive since the combination will provide significant synergies and substantial long-term shareholder value. ACC's switch-based operations in the U.S., Canada and the U.K. would provide a method for TCG to expand its local telephone service operations into the domestic long distance markets and key international markets. The Merger will permit TCG to expand into additional metropolitan markets, which will further broaden its customer base and enhance its ability to attract national and multi-national business accounts for its services. TCG considers ACC to be a well-managed company with experienced personnel and a good reputation for customer service. See "The Business of TCG—Business Strategy."

ACC's Reasons for the Merger

There were a number of specific benefits and factors taken into consideration by ACC in entering into the Merger, including: (1) the strategic fit of ACC and TCG which complemented the strengths of each party by combining TCG's domestic CLEC strategy with ACC's long distance business and international presence and which represented a strong strategic combination; (2) the value offered by TCG which represented the highest available value in the judgment of ACC's investment bankers and ACC's management; (3) the consolidation of the national and worldwide telecommunications industry and the strategic objectives of ACC in such circumstances in the United States, Canada, the U.K., Germany and elsewhere in Western Europe would be best supported by a combined entity having greater financial, management, systems and product development resources and having a greater national presence than ACC would have as a stand-alone business; (4) the anticipated growth of ACC as a stand-alone business was unlikely to be as rapid as the anticipated growth of the business created by combining with TCG, and would subject the shareholders of ACC to greater risk as to the value of their holdings than by combining with TCG; and (5) the potential importance of being able to bundle a wider variety of services in order to respond to consumer preference in the future.

Recommendation of the ACC Board of Directors

The ACC Board of Directors has unanimously approved the Merger Agreement and the Merger. In reaching its decision, ACC's Board of Directors considered, among other things, the following factors: (i) its knowledge of the business, operations, financial condition and operating results of ACC; (ii) its knowledge of the strategic objectives of ACC in the United States, Canada, the U.K. and Germany; (iii) the various presentations by ACC's management and by ACC's financial advisor, Morgan Stanley, with respect to the national and worldwide telecommunications industry, ACC's strategic objectives and growth strategies and the strategic fit with those of TCG and other potential acquirors and their proposals; (iv) the analysis by ACC's management and Morgan Stanley of potential acquirors and their proposals; (v) the opinion of Morgan Stanley as to the fairness from a financial point of view of the consideration to be received by shareholders of ACC in the Merger; (vi) the terms of the Merger Agreement which were the product of extensive "arm's length" negotiations; (vii) the historical trading prices for TCG Class A Common Stock; and (viii) the opportunity for ACC shareholders to participate, as holders of TCG Class A Common Stock, in a larger, more diversified company of which ACC would become a significant part. The ACC Board of Directors also believes that the Merger will allow ACC and TCG to combine their strengths and to enjoy synergies in operations. The foregoing discussion of the information and factors considered and given weight by the ACC Board of Directors is not intended to be exhaustive. In view of the variety of factors considered in connection with its evaluation of the Merger, the ACC Board of Directors did not find it practicable to and did not quantify or otherwise assign relative weights to the specific factors considered in reaching its determination. In addition, individual members of the ACC Board of Directors may have given different weights to different factors.

THE BOARD OF DIRECTORS OF ACC HAS UNANIMOUSLY APPROVED AND ADOPTED THE MERGER AGREEMENT AND THE MERGER AND UNANIMOUSLY RECOMMENDS THAT HOLDERS OF SHARES OF ACC STOCK VOTE FOR APPROVAL AND ADOPTION OF THE MERGER AGREEMENT AND APPROVAL OF THE MERGER.

Opinion of Financial Advisor to ACC

ACC retained Morgan Stanley & Co. Incorporated ("Morgan Stanley") to act as its financial advisor in connection with the Merger. Morgan Stanley was selected by the ACC Board of Directors to act as ACC's financial advisor based on Morgan Stanley's qualifications, expertise and reputation, as well as Morgan Stanley's investment banking relationship and familiarity with ACC.

On November 26, 1997, Morgan Stanley delivered to the ACC Board of Directors an opinion that, on and as of the date of such opinion, and based on assumptions made, matters considered, and limits of review, as explained in the opinion, the Exchange Ratio pursuant to the Merger Agreement was fair from a financial point of view to holders of shares of ACC Stock. Morgan Stanley subsequently reconfirmed this opinion through the delivery of an opinion dated as of the date of this Proxy Statement/Prospectus.

THE FULL TEXT OF MORGAN STANLEY'S OPINION, DATED AS OF THE DATE OF THIS PROXY STATEMENT/PROSPECTUS, WHICH SETS FORTH, AMONG OTHER THINGS, ASSUMPTIONS MADE, PROCEDURES FOLLOWED, MATTERS CONSIDERED AND LIMITATIONS ON THE REVIEW UNDERTAKEN, IS ATTACHED AS APPENDIX B TO THIS PROXY STATEMENT/PROSPECTUS. ACC STOCKHOLDERS ARE URGED TO, AND SHOULD, READ THE MORGAN STANLEY OPINION CAREFULLY AND IN ITS ENTIRETY. MORGAN STANLEY'S OPINION IS DIRECTED ONLY TO THE FAIRNESS OF THE EXCHANGE RATIO PURSUANT TO THE MERGER AND IT DOES NOT ADDRESS ANY OTHER ASPECT OF THE MERGER AND DOES NOT CONSTITUTE A RECOMMENDATION TO ANY HOLDER OF ACC STOCK AS TO HOW TO VOTE AT THE SPECIAL MEETING. THE SUMMARY OF THE MATERIAL ELEMENTS OF MORGAN STANLEY'S OPINION, DATED AS OF THE DATE OF THIS PROXY STATEMENT/PROSPECTUS, SET FORTH HEREIN IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT OF SUCH OPINION.

In connection with rendering its opinions, Morgan Stanley has, among other things: (i) reviewed certain publicly available financial statements and other information of ACC and TCG, respectively; (ii) reviewed certain internal financial statements and other financial and operating data concerning ACC prepared by management of ACC; (iii) analyzed certain financial projections prepared by management of ACC; (iv) reviewed certain research analyst projections for ACC and TCG; (v) discussed the past and current operations and financial condition and the prospects of ACC with senior executives of ACC; (vi) discussed the past and current operations and financial condition and the prospects of TCG with senior executives of TCG; (vii) reviewed the pro forma impact of the Merger on TCG's revenues, earnings per share and cash flow; (viii) reviewed the reported prices and trading activity for the ACC Stock and the TCG Class A Common Stock; (ix) compared the financial performance of ACC and TCG and the prices and trading activity of the ACC Stock and the TCG Class A Common Stock with those of certain other comparable publicly traded companies and their securities; (x) reviewed the financial terms, to the extent publicly available, of certain comparable acquisition transactions; (xi) participated in discussions and negotiations among representatives of ACC and TCG and their respective financial and legal advisors; (xii) reviewed the Merger Agreement and certain related documents; (xiii) reviewed the publicly available terms of the AT&T Merger Agreement; (xiv) reviewed certain research analyst projections for AT&T; and (xv) performed such other analyses and examinations and considered such other factors as Morgan Stanley has deemed appropriate.

In rendering its opinions, Morgan Stanley assumed and relied upon, without independent verification, the accuracy and completeness of the information reviewed by Morgan Stanley for the purposes of its opinions. In addition, Morgan Stanley assumed that the financial projections were reasonably prepared on bases reflecting the best currently available estimates and judgments of the future financial performances of ACC and TCG, respectively. Morgan Stanley did not make any independent valuation or appraisal of the assets or liabilities of ACC or TCG, nor was Morgan Stanley furnished with any such appraisals. In addition, Morgan Stanley assumed that the Merger will be consummated in accordance with the terms set forth in the Merger Agreement, including, among other things, that the Merger will be treated as a tax-free reorganization and/or exchange, pursuant to the Internal Revenue Code of 1986. Morgan Stanley's opinions were necessarily based on economic, market and other conditions as in effect on, and the information made available to Morgan Stanley as of, the dates thereof.

The following is a brief summary of the analyses and examinations performed by Morgan Stanley in connection with its opinion dated as of the date of this Proxy Statement/Prospectus and reviewed with the ACC Board of Directors at a board meeting held on February 17, 1998. These analyses do not differ materially from the analyses performed in connection with the opinion dated November 26, 1997 and reviewed with the ACC Board of Directors at board meetings held on November 6, 1997 and November 21, 1997.

Discounted Cash Flow Analysis. Morgan Stanley performed a number of discounted cash flow analyses of ACC based on certain financial projections provided by the management of ACC for the fiscal years 1998 through 2001 (the "Management Projections") and certain sensitivities thereto intended to reflect the inherent uncertainty of such financial forecasts (the "Downside Scenarios"). Such projections as well as the sensitivities thereto assumed that the proposed USW Merger was not consummated. To arrive at a range of present values for ACC, Morgan Stanley discounted at a range of discount rates of 11.5% to 13.5%, representing an estimated weighted average cost of capital range for ACC, the unlevered free cash flows of ACC over the forecast period and terminal values based on a range of earnings before interest, tax, depreciation and amortization ("EBITDA") multiples of 9.0 to 11.0. Unlevered free cash flows were calculated as net income available to common stockholders plus depreciation and amortization, deferred taxes, other non-cash expenses and after-tax net interest expense less the sum of capital expenditures and investment in non-cash working capital. The present values determined from these analyses were then adjusted for long-term liabilities including debt, net of cash and option proceeds, to arrive at a net asset value. Based on these analyses, Morgan Stanley calculated per share values for ACC ranging from approximately $47.15 to $61.16 for the Management Projections and approximately $31.50 to $48.01 for the Downside Scenarios. The Downside Scenarios assumed revenue growth rates of 50% of Management Projections and 75% of Management Projections (with cost of goods sold, selling, general and administrative expenses, and capital expenses reduced accordingly).

ACC Comparable Company Analysis. Morgan Stanley compared certain business profile, operating and financial information of ACC with that of a group of publicly traded high growth competitive long distance telecommunications companies including RSL Communications Ltd., Pacific Gateway Exchange Inc., Viatel Inc., STAR Communications Inc., Telegroup Inc., Esprit Telecom Group PLC, and Primus Telecommunications Group Inc. (collectively, the "ACC Comparables") for purposes of assessing comparability to ACC. Morgan Stanley noted that none of the ACC Comparables had a high degree of comparability to ACC with regard to business mix and geographic focus. Morgan Stanley further noted that the ACC Comparables having the closest comparability to ACC from a business perspective were Viatel Inc. and RSL Communications Ltd., and that these two companies appeared to be valued by the public equity markets on the basis of multiples of net aggregate value to forecasted 1998 revenues. Neither of these two companies appeared to be valued on the basis of multiples of market value to forecasted 1998 earnings, since these companies were not projected to generate positive earnings for this period. In contrast, ACC appeared to be valued by the public equity markets primarily on the basis of multiples of market value to forecasted 1998 earnings. Based on these analyses, Morgan Stanley concluded that none of the ACC Comparables was directly comparable to ACC for the purpose of estimating a value for ACC.

Analysis of Selected Precedent Transactions. Using publicly available information, Morgan Stanley reviewed the financial terms of the following recent publicly announced pending or completed business combinations in the long distance telecommunications sector (collectively, the "Precedent Transactions"): Primus Telecommunications' acquisition of TresCom International, IXC Communications' pending acquisition of Network Long Distance, WinStar Communications' pending acquisition of MIDCOM Communications, Intermedia Communications' pending acquisition of LDS Communications Group, Intermedia Communications' pending acquisition of Shared Technologies Fairchild Inc., Premiere Technologies' pending acquisition of Xpedite Systems, WorldCom's pending acquisition of MCI Communications, Corp., LCI International, Inc.'s acquisition of USLD Communications Corp., Excel Communication, Inc.'s acquisition of Telco Communications Group, and private investors' acquisition of Xpedite Systems Inc. The multiples of aggregate value to revenues, EBITDA, and earnings before interest and tax ("EBIT"), respectively, through the most recent twelve month period prior to the announcement of each of the Precedent Transactions ranged from 0.7x to 2.7x, 8.4x to 18.7x, and 11.8x to 39.6x, respectively. The implied premium to the share price of the acquired company in each of the Precedent Transactions thirty days prior to the announcement of the transaction ranged from 9.0% to 80.4%. Morgan Stanley noted that the corresponding multiples of aggregate value to revenues, EBITDA, and EBIT, and premium implied by the Merger, assuming that the proposed USW Merger was not consummated, and assuming also a value of $50 per share of ACC Stock, based on the closing price of TCG Class A Common Stock as of November 26, 1997, were 2.7x, 23.1x, 51.1x and 68.8%, respectively. However, Morgan Stanley also noted that none of the companies in the Precedent Transactions was directly comparable to ACC in their business and geographic mix.

Historical Exchange Ratio Analysis. Morgan Stanley reviewed the averages of the historical ratios of the daily closing prices per share of ACC Stock to TCG Class A Common Stock over the most recent one month, three month, six month, and one year periods through to October 29, 1997, as well as since the initial public offering of TCG on June 27, 1996 through to October 29, 1997. These averages ranged from approximately 0.760 to 1.186. The ratio on October 29, 1997, the day before the public announcement of the Tel-Save proposal, was 0.548. Morgan Stanley also noted that the offer price represented by the Merger Consideration of $50 per share of ACC Stock, based on the closing price of TCG Class A Common Stock as of November 26, 1997, represents approximately an 84% premium to the closing price of ACC Stock on October 29, 1997.

TCG Comparable Company Analysis. Morgan Stanley compared certain operating and financial information of TCG with a group of telecommunication companies, including American Communication Services, Brooks Fiber Properties Inc., COLT Telecom Group PLC, GST Telecommunications Inc., ICG Communications Inc., Intermedia Communications, McLeodUSA Inc., ITC Deltacom Inc., Electric Lightwave Inc., and Nextlink Communications Inc. (collectively, the "TCG Comparables"). The financial information analyzed included a review of financial ratios such as the net aggregate value to gross telecommunications plant multiple, net aggregate value to invested capital multiple, and net aggregate value to forecasted 1998 revenues multiple. In particular, such analyses indicated that as of March 17, 1998, based on financial statistics through September 30, 1997 and a compilation of earnings projections by securities research analysts, TCG net aggregate value represented 5.9 times gross telecommunications plant, 4.9 times invested capital, and 15.6 times forecasted 1998 revenues, compared to a range of 2.8 to 13.7 times gross telecommunications plant, 1.7 to 5.3 times invested capital, and 4.0 to 16.3 times forecasted 1998 revenues for the TCG Comparables.

No company utilized as a comparison in the comparable companies analysis is identical to TCG. In evaluating the comparable companies, Morgan Stanley made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of TCG, such as the impact of competition on TCG and the industry generally, industry growth and the absence of any adverse material change in the financial condition and prospects of TCG or the industry or in the financial markets in general.

Pro Forma Analysis of the Merger. Morgan Stanley analyzed the pro forma impact of the Merger on TCG's revenues per share, EBITDA per share, and earnings per share for 1998 and 1999. Such analysis was based on revenues, EBITDA, and earnings estimates prepared by the management of ACC, assuming that the USW Merger was not consummated, and by securities research analysts for TCG. Morgan Stanley noted that the Merger would be significantly accretive to TCG's revenues per share and EBITDA per share in 1998 and 1999. The impact of the Merger on TCG's earnings per share is not meaningful because TCG projects negative earnings for 1998 and 1999.

AT&T Comparable Company Analysis. Morgan Stanley compared certain operating and financial information of AT&T with a group of telecommunication companies, including MCI Communications Corp., Sprint Corp., and Worldcom Inc. (collectively, the "AT&T Comparables"). The financial information analyzed included a review of financial ratios such as the net aggregate value to forecasted 1998 EBITDA and the ratio of stock price to forecasted 1998 earnings per share (the "1998 P/E multiple"). In particular, such analyses indicated that as of March 17, 1998, based on financial statistics through September 30, 1997 and a compilation of earnings projections by securities research analysts, AT&T's net aggregate value represented 9.3x forecasted 1998 EBITDA, and AT&T's 1998 P/E multiple was 22.2x, compared to a range of 7.7x to 14.0x forecasted 1998 EBITDA, and a range of 1998 P/E multiple of 38.9x to 50.5x for the AT&T Comparables.

No company utilized as a comparison in the comparable companies analysis is identical to AT&T. In evaluating the comparable companies, Morgan Stanley made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of AT&T such as the impact of competition on AT&T and the industry generally, industry growth and the absence of any adverse material change in the financial condition and prospects of AT&T or the industry or in the financial markets in general.

Pro Forma Analysis of the AT&T Merger. Morgan Stanley analyzed the pro forma impact of the AT&T Merger on AT&T's forecasted earnings per share for 1998 and 1999. Such analyses were based on earnings projections prepared by the management of ACC and by securities research analysts for TCG and AT&T. Morgan Stanley noted that, assuming no synergies, the AT&T Merger would be dilutive to AT&T's forecasted earnings per share for 1998 and 1999. However, in light of expected synergies announced by AT&T and TCG, the AT&T Merger would be non-dilutive in 1999.

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Morgan Stanley believes that its analyses must be considered as a whole and that selecting portions of its analyses and of the factors considered by it, without considering all analyses and factors, would create an incomplete view of the processes underlying its opinions. The range of valuations resulting from any particular analysis described above should therefore not be taken to be Morgan Stanley's view of the actual value of ACC or TCG.

In performing its analyses, Morgan Stanley made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of ACC or TCG. The analyses performed by Morgan Stanley are not necessarily indicative of actual values, which may be significantly more or less favorable than suggested by such analyses. Such analyses were prepared solely as part of Morgan Stanley's analysis of the fairness from a financial point of view to holders of ACC Stock of the Exchange Ratio pursuant to the Merger Agreement and were provided to the ACC Board of Directors in connection with the delivery of Morgan Stanley's opinions dated November 26, 1997 and as of the date of this Proxy Statement/Prospectus. The analyses do not purport to be appraisals or to reflect the prices at which ACC or TCG might actually be sold. In addition, as described above, Morgan Stanley's opinions and presentations to the ACC Board were among the many factors taken into consideration by the ACC Board in making its determination to approve the Merger. Consequently, the Morgan Stanley analyses described above should not be viewed as determinative of the ACC Board's or ACC management's opinion with respect to the value of ACC or of whether the ACC Board or ACC management would have been willing to agree to a different Exchange Ratio pursuant to the Merger Agreement.

The Exchange Ratio was determined through negotiations between ACC and TCG and was approved by the ACC Board of Directors. Morgan Stanley provided advice to ACC during the course of such negotiations; however, the decision to enter into the Merger Agreement and to accept the Exchange Ratio was solely that of the ACC Board.

ACC retained Morgan Stanley because of its experience and expertise. Morgan Stanley is an internationally recognized investment banking and advisory firm. Morgan Stanley, as part of its investment banking business, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. In the course of its market-making and other trading activities, Morgan Stanley may, from time to time, have a long or short position in, and buy and sell, securities of ACC or TCG. In the past, Morgan Stanley and its affiliates have provided financial advisory services to ACC, TCG and their respective affiliates and have received customary fees in connection with these services.

Pursuant to a letter agreement dated November 1, 1997 between ACC and Morgan Stanley, ACC has agreed to pay Morgan Stanley a fee for its financial advisory services in connection with the Merger. ACC has agreed to pay Morgan Stanley (i) an advisory fee estimated to be between $100,000 and $200,000 which is payable in the event that the Merger is not completed and (ii) if the Merger is successfully completed, a transaction fee of approximately 0.48% of the aggregate value of ACC at the time of the closing of the Merger, against which any advisory fee paid will be credited. In addition, ACC has agreed to reimburse Morgan Stanley for its out-of-pocket expenses related to the engagement and to indemnify Morgan Stanley and its affiliates, their respective directors, officers, agents and employees and each person, if any, controlling Morgan Stanley, or any of its affiliates against certain liabilities and expenses, including liabilities under federal securities laws, in connection with Morgan Stanley's engagement.

Certain Federal Income Tax Consequences

It is a condition to the obligation of ACC to consummate the Merger that ACC receive an opinion from its tax counsel substantially to the effect that, for federal income tax purposes, the Merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"). It is a condition to the obligation of TCG to consummate the Merger that TCG receive an opinion to the same effect from its tax counsel.

Based upon the advice of their respective tax counsel, ACC and TCG expect that the Merger will qualify as a reorganization under the Code. Assuming that the Merger so qualifies, no gain or loss will be recognized by TCG, MergerCo or ACC as a result of the Merger, and no gain or loss will be recognized by a stockholder of ACC as a result of the Merger with respect to shares of ACC Stock converted solely into TCG Class A Common Stock. The effect of any cash received by an ACC stockholder in lieu of a fractional share of TCG Class A Common Stock is discussed below. The aggregate tax basis of the TCG Class A Common Stock received by ACC stockholders in the Merger will be the same, in each instance, as the aggregate tax basis of the ACC Stock surrendered in exchange therefor, excluding any basis allocable to fractional share interests in TCG Class A Common Stock for which cash is received. In addition, the holding period of the TCG Class A Common Stock received by ACC stockholders in the Merger will include the period during which the shares of ACC Stock surrendered in exchange therefor were held, provided that such shares of ACC Stock were held as capital assets at the Effective Time.

A holder of ACC Stock who receives cash in the Merger in lieu of a fractional share interest in TCG Class A Common Stock will be treated as having received the fractional share interest and then having sold such interest for the cash received. This sale will result in the recognition of gain or loss for federal income tax purposes, measured by the difference between the amount of cash received and the tax basis of the ACC Stock allocable to such fractional share interest. This gain or loss will be capital gain or loss, provided that the ACC Stock was held as a capital asset at the Effective Time. In addition, in the case of an individual holder of ACC Stock, any such capital gain will be subject to a maximum federal income tax rate of (i) 20% if the stockholder's holding period in the ACC Stock was more than 18 months at the Effective Time, and (ii) 28% if the stockholder's holding period was more than one year but not more than 18 months at the Effective Time.

As noted under "The AT&T Merger", on January 8, 1998, TCG and AT&T entered into the AT&T Merger Agreement pursuant to which AT&T Merger Sub will merge with and into TCG, with the result that TCG will become a wholly-owned subsidiary of AT&T. In connection with the AT&T Merger, the stockholders of TCG will exchange their TCG Class A Common stock for AT&T common stock in the transaction. Accordingly, if the AT&T Merger is consummated subsequent to the consummation of the Merger, the stockholders of ACC would exchange the TCG Class A Common stock that they receive in the Merger for common stock of AT&T in the AT&T Merger. Under the AT&T Merger Agreement, each of AT&T and TCG is obligated (i) to use all reasonable efforts to cause the Merger to constitute a reorganization under Section 368(a) of the Code, and (ii) not knowingly to take any action, and not to permit any subsidiary or affiliate knowingly to take any action, that would cause the Merger to fail to qualify as a reorganization under the Code. Based upon the advice of their respective tax counsel, TCG and ACC expect that, if the AT&T Merger is consummated in accordance with the AT&T Merger Agreement, the AT&T Merger will not cause the Merger to fail to qualify as a reorganization under the Code, and will not affect the federal income tax consequences of the Merger to the ACC stockholders as set forth above.

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER AND DOES NOT PURPORT TO BE A COMPLETE ANALYSIS OR LISTING OF ALL POTENTIAL TAX EFFECTS RELEVANT TO A DECISION WHETHER TO VOTE IN FAVOR OF APPROVAL AND ADOPTION OF THE MERGER AGREEMENT AND THE MERGER. THE DISCUSSION DOES NOT ADDRESS THE TAX CONSEQUENCES THAT MAY BE RELEVANT TO A PARTICULAR ACC STOCKHOLDER SUBJECT TO SPECIAL TREATMENT UNDER CERTAIN FEDERAL INCOME TAX LAWS, SUCH AS DEALERS IN SECURITIES, BANKS, INSURANCE COMPANIES, TAX-EXEMPT ORGANIZATIONS, NON-UNITED STATES PERSONS AND STOCKHOLDERS WHO ACQUIRED THEIR SHARES OF ACC STOCK PURSUANT TO THE EXERCISE OF ACC OPTIONS OR OTHERWISE AS COMPENSATION, NOR ANY CONSEQUENCES ARISING UNDER THE LAWS OF ANY STATE, LOCALITY OR FOREIGN JURISDICTION. MOREOVER, THE TAX CONSEQUENCES TO HOLDERS OF ACC OPTIONS ARE NOT DISCUSSED. IN RENDERING THE OPINIONS REFERRED TO IN THIS SECTION, RESPECTIVE COUNSEL FOR THE COMPANIES WILL RELY UPON REPRESENTATIONS MADE BY TCG, MERGERCO AND ACC IN THE MERGER AGREEMENT AND RELATED DOCUMENTS AND IN CERTIFICATES TO BE EXECUTED IN CONNECTION WITH THE MERGER. THE DISCUSSION IS BASED UPON THE CODE, TREASURY REGULATIONS THEREUNDER AND ADMINISTRATIVE RULINGS AND COURT DECISIONS AS OF THE DATE HEREOF. ALL OF THE FOREGOING ARE SUBJECT TO CHANGE AT ANY TIME AND ANY SUCH CHANGE COULD AFFECT THE CONTINUING VALIDITY OF THIS DISCUSSION. ACC STOCKHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE MERGER TO THEM.

Anticipated Accounting Treatment

Although the Merger Agreement provided for the possibility that the Merger would be accounted for as a "pooling of interests" if such accounting treatment were available, it has been determined that the Merger should be treated as a purchase for accounting and financial reporting purposes. In connection with accounting for the Merger as a purchase, the assets and liabilities of ACC will be recorded at their fair value. The fair value of the net assets acquired, including the allocation of goodwill and other intangible assets, is currently being reviewed by management. The excess of the purchase price over the fair value of the net assets acquired will be recorded as goodwill, and will be amortized over a period of forty years. The amount of goodwill to be recorded is estimated to be approximately $867 million. See "Unaudited Pro Forma Financial Data."

Status Under Federal Securities Laws

The TCG Class A Common Stock to be issued to shareholders of ACC pursuant to the Merger Agreement has been registered under the 1933 Act, thereby allowing such shares to be freely traded without registration by persons who will not be ''affiliates'' of TCG after the Merger or who were not ''affiliates'' of ACC on the date of the Special Meeting. All directors and certain officers and shareholders of ACC may be deemed to have been ''affiliates'' of ACC within the meaning of such rules. Any such person may resell the TCG Class A Common Stock received by him or her in the Merger only if such shares are registered under the 1933 Act or an exemption from registration under the 1933 Act is available. Such persons may be able to effect resales under the safe harbor provision of Rule 145 under the 1933 Act (or Rule 144 in the case of such persons who become ''affiliates'' of TCG) or as otherwise permitted under the 1933 Act. Persons who may be deemed affiliates of TCG or ACC generally include individuals or entities that control, are controlled by, or are under common control with, such party, and may include certain officers and directors of such party as well as principal shareholders of such party. It is recommended that any such person obtain advice of securities counsel prior to effecting any resales.

THE AT&T MERGER

On January 8, 1998, TCG entered into the AT&T Merger Agreement with AT&T and AT&T Merger Sub, pursuant to which, subject to satisfaction of the closing conditions specified therein, AT&T Merger Sub would merge with and into TCG, with TCG surviving as a wholly owned subsidiary of AT&T (the "AT&T Merger"). TCG and AT&T expect that the AT&T Merger will be consummated subsequent to the consummation of the Merger. Statements made herein regarding the AT&T Merger Agreement are not complete, and reference is made to the copy of the AT&T Merger Agreement filed with the Commission as an exhibit to TCG's Report on Form 8-K, dated January 26, 1998. The following disclosure is qualified in its entirety by such reference.

In the AT&T Merger, each share of TCG common stock will be converted into the right to receive 0.943 of a share of AT&T common stock. TCG and AT&T expect that the exchange will be tax-free to TCG stockholders, except to the extent cash is received in lieu of fractional shares. The AT&T Merger Agreement contains customary representations and warranties of the parties, which will not survive effectiveness of the AT&T Merger. In addition, the AT&T Merger Agreement contains certain restrictions on the conduct of TCG's business prior to the consummation of the AT&T Merger. Pursuant to the AT&T Merger Agreement, TCG has agreed, for the period prior to the AT&T Merger, to operate its business in the ordinary course, refrain from taking various corporate actions without the consent of AT&T, and not solicit or enter into negotiations or agreements relating to a competing business combination.

Pursuant to a Voting Agreement among the Cable Stockholders and AT&T, each Cable Stockholder executed and delivered to TCG a written consent in favor of and approving the AT&T Merger Agreement and the AT&T Merger. As a result, so long as the provisions of the AT&T Merger are not amended or waived, as specified therein, no further vote or meeting of TCG stockholders is necessary to consummate the AT&T Merger. AT&T will register the shares of AT&T common stock to be issued in the AT&T Merger in exchange for shares of TCG Class A Common Stock. AT&T will file a Registration Statement on Form S-4 to register such shares of AT&T common stock, and such Registration Statement will contain the AT&T-TCG Information Statement that TCG will distribute to its stockholders. Stockholders of ACC will also receive the AT&T-TCG Information Statement at such time as it is mailed to TCG stockholders.

Pursuant to the Voting Agreement, each of the Cable Stockholders, on behalf of itself and certain of its affiliates, also agreed that (i) certain rights-of-way, colocation and similar agreements with TCG and its affiliates would be amended as of January 8, 1998 to provide that each such agreement would remain in effect for the longer of five years from such date and the current term of such agreement; and (ii) certain existing facilities agreements, facilities lease agreements or other arrangements (including arrangements relating to future agreements) relating to the lease or other grant of right to use fiber optic facilities between such Cable Stockholder or any of its affiliates and TCG or any of its subsidiaries would be automatically amended as of January 8, 1998 to conform with a form of Master Facilities Agreement agreed to by AT&T, the Cable Stockholders and TCG at the time of the execution of the AT&T Merger Agreement.

Consummation of the AT&T Merger is subject to certain closing conditions, including, without limitation, TCG and AT&T obtaining certain required regulatory approvals and other related consents. In addition, the AT&T Merger is conditioned upon the agreements with each of Messrs. Annunziata, Scarpati and Hansen being in full force and effect and each being employed thereunder as of the Effective Time of the AT&T Merger, subject to their death or disability. Accordingly, there can be no assurance that the AT&T Merger will be successfully consummated or, if successfully completed, when it might be completed. In addition various lawsuits have been filed seeking to enjoin the consummation of the AT&T Merger. See "The Business of TCG—Legal Proceedings."

THE SPECIAL MEETING

Purpose of the Special Meeting

The Special Meeting of the Stockholders of ACC is being called (i) to consider and vote upon approval and adoption of the Merger Agreement and approval of the Merger and all related transactions, pursuant to which (a) MergerCo will be merged with and into ACC with ACC surviving the Merger and becoming a wholly-owned subsidiary of TCG and (b) each share of ACC Stock (other than shares held in ACC's treasury or by a wholly-owned subsidiary of ACC, which will be canceled without any consideration being issued or paid therefor) that is issued and outstanding at the Effective Time will be converted into the right to receive a fraction of a share of TCG Class A Common Stock equal to the Exchange Ratio in effect at closing, and (ii) to transact such other business as may properly come before the Special Meeting or any adjournment or postponement thereof.

THE BOARD OF DIRECTORS OF ACC HAS UNANIMOUSLY APPROVED AND ADOPTED THE MERGER AGREEMENT AND APPROVED THE MERGER AND UNANIMOUSLY RECOMMENDS THAT HOLDERS OF SHARES OF ACC STOCK VOTE FOR APPROVAL AND ADOPTION OF THE MERGER AGREEMENT AND APPROVAL OF THE MERGER.

Date, Time and Place

The Special Meeting is scheduled to be held on Tuesday, April 21, 1998, at the offices of Nixon, Hargrave, Devans & Doyle LLP, 437 Madison Avenue, 24th Floor, New York, New York 10022, commencing at 11:00 a.m., local time.

Record Date; Solicitation of Proxies; Revocability of Proxies

The Board of Directors of ACC has fixed the close of business on March 18, 1998 (the "Record Date") for the determination of stockholders entitled to notice and to vote at the Special Meeting. Accordingly, only holders of ACC Stock of record on the books of ACC at the close of business on the Record Date are entitled to notice of and to vote at the Special Meeting and any adjournments or postponements thereof. At the close of business on the Record Date there were 17,519,684 shares of ACC Stock outstanding. Each holder of record of shares of ACC Stock on the Record Date is entitled to cast one vote per share on each proposal properly submitted for the vote of ACC's stockholders, either in person or by properly executed proxy, at the Special Meeting. The presence, in person or by properly executed proxy, of the holders of a majority of the outstanding shares of ACC Stock entitled to vote at the Special Meeting, is necessary to constitute a quorum at the Special Meeting.

Shares of ACC Stock which are represented by properly executed proxies, unless such proxies have previously been properly revoked, will be voted in accordance with the instructions indicated in such proxies. If no contrary instructions are indicated, such shares will be voted FOR approval and adoption of the Merger Agreement and approval of the Merger, and in the discretion of the proxy holder as to any other matter which may properly come before the Special Meeting. A stockholder who has given a proxy may revoke it at any time prior to its exercise at the Special Meeting by delivering a written notice that the proxy is being revoked to Sarah M. Ayer-Gudell, Assistant Secretary of ACC, or by submitting a properly executed proxy bearing a later date than the proxy being revoked, or by voting the ACC Stock covered thereby in person at the Special Meeting.

ACC will bear the cost of the Special Meeting and of soliciting proxies therefor, including the costs of the printing and mailing of this Proxy Statement/Prospectus and related materials, and the reasonable expenses incurred by brokerage houses, custodians, nominees and fiduciaries in forwarding proxy material to the beneficial owners of shares of ACC Stock.

ACC STOCKHOLDERS SHOULD NOT SEND ANY STOCK CERTIFICATES WITH THEIR PROXY CARDS.

Interests of Certain Persons in the Merger; Vote Required

Directors and executive officers of ACC beneficially owned as of March 18, 1998, approximately 4.2% of the outstanding ACC Stock and will receive shares of TCG Class A Common Stock in the Merger on the same basis as other stockholders of ACC. The ACC Board of Directors was aware of these interests when it considered and approved the Merger and the Merger Agreement.

Stockholder approval of the Merger Agreement and the Merger is required by the DGCL. Approval of the Merger Agreement and the Merger requires the affirmative vote of a majority of the outstanding shares of ACC Stock, either in person or by proxy. If a proxy is marked as "abstain" on the Merger Agreement and Merger, or if instructions are given that no vote be cast on the Merger Agreement and Merger, the shares represented by such proxy will not be voted on the Merger Agreement and Merger. Abstentions and broker and other specified non-votes on the Merger Agreement and Merger will have the same effect as casting a vote against the Merger Agreement and Merger.

Discretionary Authority

The Notice of Special Meeting of Stockholders provides for transaction of any business that properly comes before the meeting. The ACC Board of Directors has no knowledge, however, of any matters to be presented at the Special Meeting other than those referred to in this Proxy Statement/Prospectus. The enclosed proxy gives discretionary authority if any other matters are properly presented.

No Rights of Dissenting Stockholders

Stockholders of ACC will not have the right under the DGCL to seek an appraisal of their shares of ACC Stock.

THE BUSINESS OF TCG

Teleport Communications Group Inc.

TCG is the first and largest CLEC in the United States and offers comprehensive telecommunications services in major metropolitan markets nationwide. TCG competes with ILECs by providing high quality, integrated telecommunications services, primarily over fiber optic digital networks, to meet the voice, data and video transmission needs of its customers. TCG's customers are principally telecommunications-intensive businesses, healthcare and educational institutions, governmental agencies, long distance carriers and resellers, Internet service providers, disaster recovery service providers, wireless communications and financial services companies. TCG offers these customers technologically advanced telecommunications services, as well as superior customer service, flexible pricing and vendor and route diversity. TCG was incorporated in 1983 under the laws of the State of Delaware.

For over 13 years, TCG has developed, operated and expanded its local telecommunications networks. During the fourth quarter of 1997, TCG added eight new markets, which brings total MSAs served by TCG to 65. These 65 MSAs are located in metropolitan New York/New Jersey, Los Angeles, Chicago, San Francisco, Philadelphia, Boston, Detroit, Baltimore, Washington, D.C., Dallas, Houston, Miami/Ft. Lauderdale, Seattle, San Diego, St. Louis, Pittsburgh, Phoenix, Denver, Milwaukee, Indianapolis, Hartford, Omaha, Providence, Cleveland, Portland (Oregon), Salt Lake City, Nashville, Chattanooga, Knoxville, Birmingham, Cincinnati, Columbus (Ohio), Charlotte, Tampa Bay, Sacramento, Minneapolis-St. Paul, Atlanta and Orlando, including 19 of the 20 largest metropolitan areas. As of December 31, 1997, TCG's fiber optic networks spanned over 9,470 route miles, contained over 491,090 fiber miles and served 13,510 buildings.

TCG has grown rapidly over the last several years, expanding its existing networks, developing new networks and increasing its service offerings. For 1997, TCG's revenues were $494.3 million, an increase of $210.9 million or 74% over its revenues on a pro forma basis for 1996. Substantially all of this growth was derived from the provision of local telecommunications services.

Total revenues from the local telecommunications market in the United States were estimated to have been approximately $104 billion in 1997. In the past, competitive access providers, including TCG, were limited to serving only the dedicated services portion of this market, which was estimated to have been approximately $6.0 billion in 1997, whereas the local switched services portion of this market for business customers was estimated to have been approximately $62 billion. TCG has been expanding into the switched services market over the last nine years by constructing switched networks and obtaining the necessary regulatory authorizations and interconnection arrangements to become a CLEC.

TCG believes that it is well positioned with the passage and initial implementation of the 1996 Act to address a significantly larger portion of the telecommunications market and to improve its operating margins in the switched and dedicated services markets by expanding its networks, installing additional high capacity digital switches (as well as increasing the switching capacity of existing switches) and offering new products and services. Also, in 1996, TCG introduced a new service offering consisting of basic Internet access for business customers, and in February 1997 TCG acquired CERFnet, a leading regional ISP for business customers. As of December 31, 1997, TCG offered a variety of Internet services in 22 metropolitan areas.

In September 1997, TCG introduced a general long distance service offering packaged with its existing local services in 22 metropolitan areas. The service is being provided primarily through the resale of other carriers' services, although TCG provides long distance services over its own facilities wherever possible.

TCG has historically benefited from its relationships with the Cable Stockholders, which are among the largest cable television companies in the United States. Through such relationships, TCG has been able to utilize rights-of-way, obtain fiber optic facilities and share the cost of building new fiber optic networks, thereby allowing TCG to achieve significant economies of scale and scope through capital efficiencies in extending its networks in a rapid, efficient and cost-effective manner.

TCG believes that it has several advantages that enable it to compete successfully in the new competitive telecommunications marketplace, including (i) extensive, technologically advanced networks located or under development in major metropolitan markets nationwide, (ii) state-of-the-art information systems, (iii) an experienced management team with significant operational, technical, financial and regulatory expertise in the telecommunications industry, (iv) positive relationships with its broad array of commercial customers, (v) TCG's reputation for high quality service, and (vi) established relationships with cable television operators.

Business Strategy

As a premier competitive local telecommunications carrier, the key elements of TCG's business strategy are to:

- *Provide a wide range of local telecommunications services.* TCG provides a broad array of telecommunications services to meet the voice, data and video transmission needs of its customers, including basic local exchange telephone services, enhanced switched services, long distance services, dedicated services, high speed switched data services, Internet services, disaster avoidance services and video channel transmission services. Switched services revenue increased 90% for the year ended December 31, 1997 from the switched services revenue for the year ended December 31, 1996 on a pro forma basis. In 1997, approximately 44% of TCG's revenues were generated from switched services. TCG expects a growing portion of its revenue to be derived from basic local exchange telephone services, enhanced switched services, Internet services and high speed switched data services as it continues to deploy digital switches in its markets.
- *Focus on business customers and telecommunications carriers.* TCG's networks serve large metropolitan markets, which have significant concentrations of telecommunications-intensive businesses. TCG's customers in these markets include financial services companies, media and insurance companies, long distance carriers and resellers, healthcare and educational institutions, governmental agencies, Internet service providers, disaster recovery service providers, wireless communications companies, residential multiple dwelling units and an increasing number of small and medium-sized business customers. The national scope of TCG's local networks allows it to offer high volume business customers and long distance carriers uniformity of services, pricing, quality standards and customer service. In addition, TCG has arrangements with other telecommunications providers, including shared tenant services providers, cable television companies and long distance carriers, to resell TCG's services. In 1997, approximately 66% of TCG's revenues were generated from business customers (including resellers) and approximately 34% were generated from long distance carrier customers.
- *Offer local and long distance services.* TCG believes there is a growing demand, especially from small to medium-sized businesses, for telecommunications carriers to offer comprehensive packages of services so that a customer may obtain most or all of its telecommunications needs from a single provider. In September 1997 TCG broadened its existing long distance products into a general offering of long distance services in 22 metropolitan areas. These services have enhanced features and are available packaged with TCG's already comprehensive offerings of local services. TCG leverages its existing network investment by routing and switching as great a portion of long distance services as possible over its existing local and regional facilities, with the balance of such services being provided by the resale of the services of other carriers. For example, TCG has substantially completed a reconfiguration of the many adjacent local networks it operates between Boston and Washington, D.C. into a regional network covering a geographic area extending from southern New Hampshire to northern Virginia.
- *Expand geographic reach and density of existing networks and enter new markets.* In response to customer demand, TCG continues to increase the geographic reach and density of its existing networks by deploying additional fiber optic rings and connecting additional customers to its networks. TCG anticipates that making significant capital expenditures over the next several years to expand its existing networks and to develop new networks will lead to significant increases in revenue opportunities. TCG

may also make selected acquisitions. As a facilities-based carrier, TCG utilizes a variety of means to expand geographically, including rights-of-way, easements, poles, ducts and conduits that are available from cable television operators, ILECs, railways, subways, electric, gas and water utilities and municipal, state and federal street and highway authorities. In the course of expanding its networks, TCG also has the ability to reach TCG customers by reselling all or a portion of the telecommunications services offered by ILECs. However, TCG believes that the extensive geographic reach and density of its networks make it less reliant than other CLECs on the networks of the ILECs. In addition, where appropriate, TCG has the ability to link its customers to its networks through a variety of technologies including the use of microwave services, including 38 GHz milliwave services. TCG plans to expand into additional metropolitan markets, which TCG believes will further broaden its customer base and enhance its ability to attract national business accounts for its services.

- *Offer high quality networks and superior customer service.* TCG believes that it offers cost and service quality advantages over ILECs as a result of its integrated operations, customer support, network monitoring and management systems and state-of-the-art technology deployed in TCG's digital networks. TCG consults closely with its customers to develop competitively priced telecommunications services that are tailored to their particular needs. TCG's centrally managed customer care and support operations are also designed to facilitate the processing of orders for changes and upgrades in services. TCG believes that it provides greater attention and responsiveness to its customers than do the ILECs.
- *Benefit from working relationships with cable television operators.* As of December 31, 1997, the cable television facilities of TCI, Cox and Comcast collectively passed approximately 38% of the country's 94.5 million homes passed by cable television facilities. Through its relationships with cable television operators, including the Cable Stockholders, TCG has historically been able to utilize existing rights-of-way, obtain fiber optic facilities and share the cost of building new fiber optic networks, thereby allowing TCG to achieve significant economies of scale and scope through capital efficiencies in extending its existing networks in a rapid, efficient and cost-effective manner. TCG is currently working with certain Cable Stockholders for the provisioning of residential or multiple dwelling unit telephony services with TCG providing switching, call processing, calling features and ancillary services. Beginning as technical trials, these efforts have expanded into limited commercial offerings in certain locations in Connecticut, Michigan, Illinois, Maryland, Texas and Florida.
- *Spearhead regulatory reform.* As the first and largest CLEC, TCG has been at the forefront of industry efforts for over a decade to introduce competition to the local telecommunications market. TCG has aggressively pursued the goal of making competitive local exchange services economically, technically and operationally feasible by working for legislative and regulatory reform and through negotiations with ILECs. TCG has continued its regulatory reform activities in an effort to ensure that the 1996 Act is implemented and interpreted in a manner that promotes fair competition for telecommunications services.
- *Capitalize on management team experience.* TCG's management team is comprised of executives who are recognized as leaders in the development of the competitive local telecommunications industry. This management team has extensive operational, technical, financial and regulatory expertise as well as a proven track record in a rapidly changing marketplace.

The AT&T Merger Agreement contains certain restrictions on the conduct of TCG's business prior to the consummation of the AT&T Merger which are likely to affect TCG's pursuit of its strategies.

TCG Recent Developments

Kansas City Fiber Network, L.P. TCG has agreed to purchase substantially all of the assets used in connection with a fiber optic communications system of KCFN, a majority of the equity of which is owned by TCI. Pending the closing of such transaction, TCG is providing certain services in connection with the operations of such communications system, which is located in the Kansas City, Missouri/Overland Park, Kansas metropolitan area. The purchase price is approximately $55 million in cash and TCG will be required to assume certain obligations of the seller. Consummation of the purchase of the assets of KCFN is subject to the receipt of required regulatory approvals and other related consents. Accordingly, there can be no assurance that the purchase of the assets of KCFN will be successfully consummated or, if successfully completed, when it might be completed.

TCI Subordinated Note. In December 1997, TCG repaid at a discounted value of approximately $25.1 million the TCI Subordinated Note, in the original principal amount of $26 million, that it had issued to TCI in the TCG Reorganization.

1997 Equity Offering. On November 13, 1997, TCG consummated the 1997 Equity Offering. Of the 17,250,000 shares of TCG Class A Common Stock offered, 7,304,408 shares were offered by TCG (realizing net proceeds of approximately $317.4 million to TCG) and 9,945,592 shares were offered by a subsidiary of Continental. Continental acquired its interest in TCG in May 1993. As a result of the consummation of the 1997 Equity Offering, Continental does not hold any shares of TCG Common Stock.

BizTel Communications, Inc. On October 29, 1997, TCG acquired the remaining 50.1% equity interest in BizTel not owned by TCG in exchange for the issuance of 1,667,631 shares of TCG Class A Common Stock (with cash paid in lieu of fractional shares). TCG had previously acquired a 49.9% interest in BizTel in February 1996. BizTel holds FCC licenses to provide telecommunications services utilizing 38 GHz digital milliwave transmission in over 200 geographic areas, which include more than 95 of the 100 largest metropolitan markets and all markets were TCG operates. BizTel's 38 GHz milliwave services can be used by TCG to economically connect customers to TCG's fiberoptic networks, to provide network redundancy, diverse routing or quick temporary installations and to provide stand-alone facilities where TCG does not have fiber optic networks.

Eastern TeleLogic Corporation. Effective as of March 1, 1997, TCG completed its acquisition of ETC for 2,757,083 shares of TCG Class A Common Stock. TCG also assumed $52.6 million in ETC debt and loaned $115 million to ETC, the proceeds of which were used to redeem the stock held by certain minority stockholders. The acquisition of ETC provides TCG with access to the Philadelphia market, the nation's fifth largest market, and allows TCG to establish a contiguous network between Boston and Washington, D.C. ETC operates a Class 5 digital telephone switch on its 525-mile fiber optic network which connects to more than 360 buildings. After the acquisition, the name of Eastern TeleLogic Corporation was changed to TCG Delaware Valley, Inc.

As part of the acquisition, TCG assumed a credit facility of ETC. This facility, which ETC entered into in October 1995, is a $60 million credit facility with certain banks. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of TCG—Liquidity and Capital Resources."

CERFnet Services, Inc. On February 4, 1997, TCG acquired from General Atomic Technologies Corporation and General Atomics all the outstanding capital stock of CERFnet, a leading regional provider of Internet-related services to businesses, including dial-up and dedicated Internet access, World Wide Web hosting and colocation services and Internet training. TCG issued to General Atomics, CERFnet's former controlling stockholder, 2,100,000 shares of TCG Class A Common Stock and granted to General Atomics certain registration rights with respect to such shares. After the acquisition, the name of CERFnet was changed to TCG CERFnet, Inc.

TCG has had discussions with a number of other telecommunications companies regarding acquisitions, possible strategic partnerships and other investment arrangements. TCG has no present agreement regarding the terms of any such transaction, other than the AT&T Merger Agreement. If and when attractive opportunities become available, TCG contemplates pursuing such opportunities to effect such a transaction. Nonetheless, there can be no assurance that any such strategic business arrangement will be entered into or the timing thereof. Specifically, any future decision by TCG as to whether or not to pursue any such strategic partnership or similar business arrangement will be based upon, among other things, the relative attractiveness of available alternative business and investment opportunities, the regulatory environment for telecommunications properties, future developments relating to TCG, the CLEC industry, general economic conditions and other future developments.

TCG's Services

TCG provides its customers with a comprehensive array of local and long distance telecommunications services, including basic local exchange telephone services, enhanced switched services, Internet services, national and international toll services, 800 services, dedicated services, high-speed switched data services, disaster avoidance services and video channel transmission services. Switched voice services offered by TCG primarily use high-capacity digital switches to route voice transmission anywhere on the public switched telephone network. TCG's dedicated services, which include private line and special access services, use high-capacity digital circuits to carry voice, data and video transmission from point-to-point in multiple configurations. TCG provides its media industry customers with point-to-point, broadcast-quality video channels for video transmission between two or more locations, including video link services to major television networks as well as to other programmers. TCG also provides private network management and systems integration services for businesses that require combinations of various dedicated and switched telecommunications services.

Switched Services. TCG's switched services provide customers with local dial tone and local and regional calling capabilities and connection to their IXCs. TCG's switched services are mainly branded under the "Prime" name and include the following:

PrimeDistance[SM] This service is a long distance service which is offered as a package to TCG's customers for local services. It is a broad service including national and international toll services, 800 services, directory assistance, operator services and fraud detection features.

PrimeNBX[SM] This service gives voice and data customers a choice for analog, digital voice-only and ISDN Centrex telephone lines to customers' desktops. With PrimeNBX, TCG owns, houses, manages and maintains the switch. PrimeNBX allows customers to retain control over network configurations. Lines can be added, deleted and moved as needed. Business customers can utilize TCG as their primary Centrex provider, as a supplement to the ILEC's Centrex service, or as an addition to a fully-utilized customer owned private branch exchange ("PBX").

PrimeXpress[SM] This service is utilized by PBX users to provide access to the local, regional and long distance telephone networks. PBX customers may use either TCG's telephone numbers or their ILEC-assigned telephone numbers. Customer access to TCG's network is accomplished by a DS-1 digital connection or analog trunks between the customer's PBX port and TCG's switching centers.

PrimePath[SM] This service enables customers to connect to the TCG network using Prime Business Lines or Prime Business PBX Trunks. PrimePath is available in a variety of feature packages which have been developed to serve TCG customers, with features such as Call-Waiting, Call-Forwarding, Conference Calling and PrimeMail voice mail.

PrimePlus[SM] This service provides customers with a competitive alternative to ILEC service for intraLATA toll calls. It is a customized, high quality calling plan available to PrimeNBX, PrimePath and PrimeXpress customers. TCG works with customers to devise cost-saving intraLATA calling programs based on actual usage and calling patterns.

PrimeOne[SM] This service is basic local exchange service which can be tailored to a customer's particular calling requirements. Local telephone service includes operator and directory assistance services, as well as an intraLATA toll plan.

CERFtone[SM] This integrated service permits customers to combine local, intraLATA toll, long distance and 800 services with high speed Internet services.

TCG Pay Phone Services These services provide full public pay telephone service to public customers and dial tone services and access lines to other public pay telephone providers, including pay telephone services at several major airports. TCG is the primary provider of public pay phone service for all properties of The Port Authority of New York and New Jersey, including Kennedy, La Guardia and Newark airports.

Switched Access Services These services provide IXCs with switched connections to their customers for the origination and termination of long distance telephone calls.

Integrated Services Digital Network (''ISDN'') PrimePlex℠ Services These services provide TCG's customers with multiple voice and data communications services over a single telecommunications line. TCG's ISDN services allow customers to perform multiple functions such as simultaneous voice and computer links, and enable TCG to offer customers value-added features. High speed ISDN applications include desk top video conferencing, interconnection of local area networks (''LANs'') and Internet access.

Advanced Intelligent Network (''AIN'') Services Utilizing the Bellcore ISCP™ format, these services offer customers advanced, customized switching features which may include local number portability.

Dedicated Services. TCG's dedicated services, which include special access and digital private line services, use high-capacity digital circuits to carry voice, data and video transmission from point-to-point in flexible configurations involving different standardized transmission speeds and circuit capacities, including:

DS-0 This is a dedicated service that accommodates business communications with digital data transmission through a voice grade equivalent circuit with a capacity of up to 64 kilobits per second (''kbps''). This service offers a private line digital channel for connecting telephones, fax machines, personal computers and other telecommunications equipment. Multiple DS-0 services are offered in a variety of combinations, depending on the particular application and can also provide voice grade analog connections.

DS-1 This is a high speed digital channel that typically links customer locations to long distance carriers or other customer locations. Used for multiple voice or data transmission, access to the Internet and interconnection of LANs, DS-1 services accommodate digital data transmission capacity of up to 1.544 megabits per second (''mbps''), the equivalent of 24 voice grade circuits.

European-Standard DS-1(E-1) TCG was the first U.S.-based local carrier to offer this dedicated high capacity service, which allows customers to accommodate their international traffic with a digital data transmission capacity of up to 2.048 mpbs, which is equivalent to 30 voice grade equivalent circuits. This dedicated service offers international business customers the flexibility to connect their United States locations to international circuits that operate at the high capacity European standard transmission speed.

DS-3 With digital data transmission capacity of up to 44.736 mbps, this dedicated service provides a very high capacity digital channel, which is equivalent to 28 DS-1 circuits or 672 voice grade equivalent circuits. This digital service is used by long distance carriers for central office connection and by some large corporate users to link multiple sites. It is also used for data services applications.

TCG OmniRing℠ This service provides a standard Optical Carrier (''OC'') service for those customers requiring enhanced network survivability, advanced network architectures and centralized network monitoring and management capabilities. With TCG OmniRing custo ıers enjoy the benefits of dedicated private local OC3 or OC12 synchronous optical network (''SONET'') rings between various customer-designated sites and TCG's nodes.

Data Services. TCG offers its customers a broad array of data services that enable customers to create their own internal computer networks and access external computer networks and the Internet. In 1992, TCG introduced its native speed LAN inter-networking data service which is used to connect workstations and personal computer users on one or more LANs. Called OmniLAN℠, this service provides users with transmission capacity for 10 mbps Ethernet, 4 and 16 mbps Token Ring and 100 mpbs FDDI LAN interconnections. Native speed services avoid the bottleneck problems that are frequently encountered with customary DS-1 connections by providing the customer with a circuit that matches the transmission speeds of its LAN. OmniLAN provides dedicated circuits, guaranteed transmission capacity and guaranteed bandwidth for virtually all LAN applications. Users can share files and databases as if they were all working on the same computer, or within the same LAN. In 1996 TCG introduced Fast Ethernet LAN Interconnect Service for business customers which have or plan to build Fast Ethernet networks and require native speed connections between geographically disparate LANs.

As companies and communications become more sophisticated, there is an increased need for customer access to superior traffic management of sensitive data, video and voice transmission within a single metropolitan area or between various company operations. TCG's switched data services, called OmniStream℠, offer sophisticated switched data services over TCG's SONET/ATM backbone and provide high standards in reliability and flexibility while enabling users to reduce the costs associated with interconnecting various geographically dispersed and architecturally diverse information systems. TCG's asynchronous transfer mode ("ATM") platform supports evolving high-speed applications, such as multimedia, desktop video conferencing and medical imaging. Additionally, TCG's services allow users to interconnect both high speed and low speed LAN environments. Customers also benefit from flexible billing, as well as detailed usage reports.

Internet Services. TCG accommodates its customers' demand for Internet services directly through CERFnet, an ISP, and indirectly by providing the connection between a customer and an ISP. CERFnet's services include a full range of Internet-related services for businesses and professionals, including dial-up and dedicated Internet access, World Wide Web hosting and colocation services and Internet training.

Video Services. TCG provides analog video link services to its media industry customers, including all of the major television networks as well as to many cable services and independent programmers. TCG's video services include offering a broadcast quality, analog channel which can be provided on a point-to-point or point-to-multipoint basis.

Wireless Services. OmniWave℠ services, TCG's 38 GHz digital milliwave private line service, supports capacities of 4 DS-1s, 8 DS-1s and 1 DS-3. These services can be multiplexed at either end of the circuit to provide lower levels of bandwidth. OmniWave services utilize a broadband milliwave transmission spectrum for quality and reliability that is comparable to that achieved by conventional fiber optic networks. BizTel is TCG's primary and preferred provider of these services.

Residential Services. TCG currently offers residential telephony services on a retail basis in several multiple dwelling units and in a number of single family residences and continues to develop services for this market. TCG provides wholesale local exchange services that are suitable for reselling to residential consumers including local and long distance toll usage, features and auxiliary functions such as network provisioning installation, customer service, billing, operator services, and directory assistance. TCG's wholesale customers which resell these services to individual users, include landlords, real estate development and management companies and the Cable Stockholders. With certain exceptions, TCG's ability to provide residential services is subject to the approval of its Class B Stockholders. See "Description of Capital Stock of TCG."

Calling Card Services. In August 1997, TCG commenced offering a full service long distance calling card with specialized features designed for business travelers, called PrimeCard℠ service.

Customers and Marketing

TCG's customers are principally telecommunications-intensive businesses, healthcare, and educational institutions, governmental agencies, long distance carriers and resellers, ISPs, disaster recovery service providers and wireless communications and financial services companies. In 1985, TCG's customers were primarily long distance carriers. While TCG's carrier business has continued to grow, in 1997, all other customers (including resellers) accounted for approximately 66% of TCG's total revenues. During 1997, TCG's 10 largest customers accounted for approximately 40% of TCG's total revenues. During that period, no customer accounted for more than 10% of such revenues.

TCG has sought to establish "TCG"® "Prime-" and "Omni-" as recognized brand names for its services and products. TCG is rebranding the Internet services of its CERFnet subsidiary as "TCG CERFnet" services. TCG's marketing emphasizes its state-of-the art digital networks, flexibly priced products and services, responsive customer service orientation and integrated operations, customer support and network monitoring an management systems. For large telecommunications-intensive businesses that depend on accurate and reliable telecommunications, TCG promotes the operational and strategic security achieved through vendor and facility diversity. TCG's centrally managed customer care and support operations are designed to facilitate the installation of new services and the processing of orders for changes and upgrades in TCG customer services. TCG seeks to be among the first to introduce new telecommunications products and service, thereby increasing usage among existing TCG customers and attracting new customers to TCG's networks.

TCG generally offers its services in accordance with applicable tariffs filed with the FCC (for interstate services) and State PUCs (for intrastate services). As a non-dominant carrier, TCG does not have to cost-justify its rates and frequently enters into customer and service specific arrangements. The services offered by TCG are typically priced at a modest discount to the prices of the ILECs.

With a direct sales force in each of its markets, TCG initially targets the large telecommunications-intensive businesses concentrated in the major metropolitan markets served by its networks. TCG's customers in these markets include financial services firms, media and health care companies and educational and governmental institutions. In addition, TCG markets its services through sales agents, landlords, advertisements, trade journals, media relations, direct mail and participation in trade conferences.

TCG is increasing its marketing to small and medium-sized business customers. TCG's strategies for addressing this market include (i) hiring and training specialized account executives dedicated to developing this market; (ii) increased marketing to this class of customers in office buildings or multiple dwelling units already served by TCG's network; (iii) developing special services and packages of services attractive to this market segment; and (iv) employing 38 GHz wireless technology to reach these customers cost-effectively.

TCG also targets long distance carriers and resellers, ISPs, disaster recovery service providers and wireless telephone companies through its national sales organization. TCG has master services agreements (which generally set forth technical standards, ordering processes, pricing methodologies and service grade requirements, but do not guarantee any specified level of business for TCG) with a significant number of long distance carriers. For example, AT&T considers TCG a preferred national supplier of dedicated and switched access services. By providing long distance companies a local connection to their customers, TCG enables these carriers to avoid complete dependence on the ILECs for access and to obtain a high quality, reliable local connection at savings over the ILECs' charges. The national scope of TCG's local networks allows it to offer high volume business customers and long distance carriers uniformity of services, pricing, quality standards and customer service. In addition, TCG has arrangements with other telecommunications providers, including shared tenant service providers, cable television companies and long distance carriers, to resell TCG's services. TCG has engaged in technical trials pursuant to which certain long distance carriers have resold TCG local exchange service and intraLATA toll service bundled with their long distance service. These trials began in the second half of 1995, but as of March 1998, all had been terminated. TCG and AT&T are currently in the process of developing a combined local and long distance business line product which would be sold under the AT&T brand name, initially as a trial.

The AT&T Merger could make some competitors of AT&T less likely to continue or to expand their relationship with TCG. TCG believes that most or all of the major long distance carriers are pursuing alternatives to their current practices with regard to obtaining local telecommunications services.

The Networks

TCG uses the latest technologies and network architectures to develop a highly reliable infrastructure for delivering high speed, quality digital transmission of voice, data and video telecommunications. The basic transmission platform consists primarily of optical fiber equipped with high capacity SONET equipment deployed in self-healing rings. These SONET rings give TCG the capability of routing customer traffic simultaneously in both directions around the ring thereby eliminating loss of service in the event of a cable cut. TCG extends SONET rings or point-to-point links from rings to each customer's premises over its own fiber